

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1031 - SB 1323**

February 27, 2013

**SUMMARY OF BILL:** Requires a \$10.00 admission fee to be charged for each customer entry into an adult-oriented establishment (AOE) to be paid by the AOE to the Department of Revenue (DOR). Requires DOR to deposit all proceeds collected into the sexual assault services and program fund established pursuant to Tenn. Code Ann. § 71-6-301. Requires DOR to establish a method for which each AOE will record the number of customers admitted daily and requires AOE's to maintain admittance records for a period not less than three years for purposes of audit and inspection by DOR. Authorizes the AOE to determine the manner in which the establishment collects the required admission fee. Requires the Department of Finance and Administration (F&A) to utilize proceeds from the fee to provide grants to sexual assault programs and to the Tennessee Coalition to End Domestic and Sexual Violence.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$1,337,500/FY13-14 and Subsequent Years/  
Sexual Assault Services and Program Fund**

**Increase State Expenditures - \$64,800/One-Time/FY13-14  
\$69,800/Recurring/FY13-14 and Subsequent Years**

**Assumptions:**

- The bill applies only to those adult-oriented establishments (AOEs) that provide live nude entertainment or performances and permit on-site consumption of alcoholic beverages.
- According to the Department of Revenue (DOR), AOEs report approximately \$6,100,000 in gross sales annually, with approximately \$750,000 of these sales as mixing bar sales.
- According to DOR, of the remaining \$5,350,000 in sales, it is estimated that 25 percent of the reported gross sales are due to the charge for admission. Estimating that the average admission charge is currently \$10, there are approximately 133,750 admissions to AOEs annually  $[(\$5,350,000 \text{ annual gross sales} \times 25\%) / \$10 \text{ current fee}]$ .
- The proposed fee will result in a recurring increase in state revenues of \$1,337,500  $(133,750 \times \$10 \text{ fee})$ .

- This bill will take effect upon passage; however it is reasonably estimated that no revenue will be collected until FY13-14 to allow time for passage of the bill, signing by the governor, and implementation.
- According to DOR, the development costs associated with the implementation of this bill will result in a one-time increase in state expenditures of \$64,800 and a recurring increase in state expenditures of \$1,050. It is estimated any increase in state expenditures will not occur until FY13-14.
- According to F&A, the Office of Criminal Justice Programs (OCJP) within the Department will require one additional full-time employee to administer grants through the program.
- According to F&A costs associated with additional staff will result in a recurring increase in state expenditures of \$68,700 (\$42,400 annual salary + 26,300 benefits).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jrh